



Tax Incentives for Retailers --

Ethanol and Biodiesel Fuels

South Carolina provides state tax credits and other incentives for the sale of alternative fuels, including ethanol and biodiesel (Act No.83, 2007). In addition, Section 1342 of the Energy Policy Act of 2005 provides federal tax credits to retailers for buying and installing tanks, pumps and other equipment to sell alternative fuels.

What is covered?

- A state income tax credit is provided for 25 percent of the cost of buying and installing pumps, storage tanks, and related equipment for distributing, dispensing or storing “renewable fuel.” The tax credit must be taken in three equal annual installments beginning with the tax year in which the equipment was placed in service, but the law granting the credit expires after 2011.
- The Federal Energy Policy Act of 2005, Section 1342 provides a federal tax credit of 30 percent of the cost of buying and installing refueling property (e.g., tanks and pumps) for alternative fuels, including E85 ethanol and biodiesel. The maximum amount of the credit is \$30,000 and the equipment must be installed before 2010.
- Beginning July 1, 2009 a South Carolina “incentive payment” of 5 cents per gallon is provided to retailers for each gallon of ethanol in a blend of E70 or greater sold. A 25 cents per gallon incentive payment is provided to retailers for each gallon of on-road or off-road B100 biodiesel fuel sold as long as the blend in the diesel is at least B2.

How Now?

- Regarding the federal tax credit, IRS Form 8911 provides guidance and instructions.
- Retailers can claim a state incentive payment for ethanol and biodiesel sold between July 1, 2006 and June 30, 2007 by filling out state form L-2193.
- New forms have not yet been released by the SC Department of Revenue for tax credits for ethanol or biodiesel equipment or fuel payments beginning after July 1, 2009.

***Disclaimer:** This information is not intended to provide advice on legal interpretations of the law. This information should not be relied upon in taking or refraining from taking any action related to the topics covered. The best source of information is guidance provided by the Internal Revenue Service and the South Carolina Department of Revenue.*